

AMENDED IN SENATE JULY 8, 1996  
AMENDED IN ASSEMBLY MAY 23, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

## ASSEMBLY BILL

No. 3484

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Introduced by ~~Committee on Budget (Miller (Chairman),  
Alby, Baugh, Cunneen, Harvey, Hawkins, Kaloogian,  
Knowles, Kuykendall, Morrow, Olberg, and Richter)~~  
*Assembly Members Friedman and Granlund*

April 10, 1996

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An act to amend Section 14163 of the Welfare and Institutions Code, relating to public social services, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

### LEGISLATIVE COUNSEL'S DIGEST

AB 3484, as amended, ~~Committee on Budget  
Friedman. Developmental services Medi-Cal.~~

~~Existing law provides for various benefits through the implementation of programs for persons with developmental disabilities through the State Department of Developmental Services.~~

~~This bill would state the intent of the Legislature to make the necessary statutory changes to implement the Budget Act of 1996 relative to the State Department of Developmental Services.~~

*Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services,*

*pursuant to which medical benefits are provided to public assistance recipients and certain other low-income persons.*

*Existing law provides for the payment of additional reimbursement to hospitals that provide a disproportionate share of care to Medi-Cal recipients, and requires the department to establish a list of disproportionate share hospitals and to establish procedures to reimburse the disproportionate share hospitals using identified factors. Payments are made to these hospitals from moneys paid by hospitals into the Medi-Cal Inpatient Payment Adjustment Fund, as required, with this fund being continuously appropriated for specified purposes.*

*Under existing law, of the moneys contained in the Medi-Cal Inpatient Payment Adjustment Fund, \$239,757,690 is annually appropriated to the Health Care Deposit Fund, which is used for implementation of the Medi-Cal program.*

*This bill would, commencing with the 1996–97 fiscal year and for each fiscal year thereafter, reduce the amount appropriated from the Medi-Cal Inpatient Adjustment Fund to the Health Care Deposit Fund to \$229,757,690, thus constituting an appropriation.*

*This bill would declare that it is to take effect immediately as an urgency statute.*

*Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: ~~no~~ yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.*

*The people of the State of California do enact as follows:*

~~1 SECTION 1. It is the intent of the Legislature in  
2 enacting this act to make the necessary statutory changes  
3 to implement the Budget Act of 1996 relative to the State  
4 Department of Developmental Services.~~

5 SECTION 1. Section 14163 of the Welfare and  
6 Institutions Code is amended to read:

7 14163. (a) For purposes of this section, the following  
8 definitions shall apply:

9 (1) “Public entity” means a county, a city, a city and  
10 county, the University of California, a local hospital  
11 district, a local health authority, or any other political  
12 subdivision of the state.

1 (2) “Hospital” means a health facility that is licensed  
2 pursuant to Chapter 2 (commencing with Section 1250)  
3 of Division 2 of the Health and Safety Code to provide  
4 acute inpatient hospital services, and includes all  
5 components of the facility.

6 (3) “Disproportionate share hospital” means a hospital  
7 providing acute inpatient services to Medi-Cal  
8 beneficiaries that meets the criteria for disproportionate  
9 share status relating to acute inpatient services set forth  
10 in Section 14105.98.

11 (4) “Disproportionate share list” means the annual list  
12 of disproportionate share hospitals for acute inpatient  
13 services issued by the department pursuant to Section  
14 14105.98.

15 (5) “Fund” means the Medi-Cal Inpatient Payment  
16 Adjustment Fund.

17 (6) “Eligible hospital” means, for a particular state  
18 fiscal year, a hospital on the disproportionate share list  
19 that is eligible to receive payment adjustment amounts  
20 under Section 14105.98 with respect to that state fiscal  
21 year.

22 (7) “Transfer year” means the particular state fiscal  
23 year during which, or with respect to which, public  
24 entities are required by this section to make an  
25 intergovernmental transfer of funds to the Controller.

26 (8) “Transferor entity” means a public entity that,  
27 with respect to a particular transfer year, is required by  
28 this section to make an intergovernmental transfer of  
29 funds to the Controller.

30 (9) “Transfer amount” means an amount of  
31 intergovernmental transfer of funds that this section  
32 requires for a particular transferor entity with respect to  
33 a particular transfer year.

34 (10) “Intergovernmental transfer” means a transfer of  
35 funds from a public entity to the state, that is local  
36 government financial participation in Medi-Cal pursuant  
37 to the terms of this section.

38 (11) “Licensee” means an entity that has been issued  
39 a license to operate a hospital by the department.

1 (12) “Annualized Medi-Cal inpatient paid days”  
2 means the total number of Medi-Cal acute inpatient  
3 hospital days, regardless of dates of service, for which  
4 payment was made by or on behalf of the department to  
5 a hospital, under present or previous ownership, during  
6 the most recent calendar year ending prior to the  
7 beginning of a particular transfer year, including all  
8 Medi-Cal acute inpatient covered days of care for  
9 hospitals that are paid on a different basis than per diem  
10 payments.

11 (13) “Medi-Cal acute inpatient hospital day” means  
12 any acute inpatient day of service attributable to patients  
13 who, for those days, were eligible for medical assistance  
14 under the California state plan, including any day of  
15 service that is reimbursed on a basis other than per diem  
16 payments.

17 (14) “OBRA 1993 payment limitation” means the  
18 hospital-specific limitation on the total annual amount of  
19 payment adjustments to each eligible hospital under the  
20 payment adjustment program that can be made with  
21 federal financial participation under Section 1396r-4(g)  
22 of Title 42 of the United States Code as implemented  
23 pursuant to the Medi-Cal State Plan.

24 (b) The Medi-Cal Inpatient Payment Adjustment  
25 Fund is hereby created in the State Treasury.  
26 Notwithstanding Section 13340 of the Government Code,  
27 the fund shall be continuously appropriated to, and under  
28 the administrative control of, the department for the  
29 purposes specified in subdivision (d). The fund shall  
30 consist of the following:

31 (1) Transfer amounts collected by the Controller  
32 under this section, whether submitted by transferor  
33 entities pursuant to applicable provisions of this section  
34 or obtained by offset pursuant to subdivision (j).

35 (2) Any other intergovernmental transfers deposited  
36 in the fund, as permitted by Section 14164.

37 (3) Any interest that accrues with respect to amounts  
38 in the fund.

39 (c) Moneys in the fund, which shall not consist of any  
40 state general funds, shall be used as the source for the

1 nonfederal share of payments to hospitals pursuant to  
2 Section 14105.98. Moneys shall be allocated from the fund  
3 by the department and matched by federal funds in  
4 accordance with customary Medi-Cal accounting  
5 procedures, and used to make payments pursuant to  
6 Section 14105.98.

7 (d) Except as otherwise provided in Section 14105.98  
8 or in any provision of law appropriating a specified sum  
9 of money to the department for administering this  
10 section and Section 14105.98, moneys in the fund shall be  
11 used only for the following:

12 (1) Payments to hospitals pursuant to Section 14105.98.

13 (2) Except for the amount transferred pursuant to  
14 paragraph (3), transfers to the Health Care Deposit Fund  
15 ~~in~~ as follows:

16 (A) *In the amount of two hundred thirty-nine million*  
17 *seven hundred fifty-seven thousand six hundred ninety*  
18 *dollars (\$239,757,690), for the 1994–95 fiscal year and for*  
19 *each fiscal year thereafter and 1995–96 fiscal years.*

20 (B) *In the amount of two hundred twenty-nine million*  
21 *seven hundred fifty-seven thousand six hundred ninety*  
22 *dollars (\$229,757,690) for the 1996–97 fiscal year and each*  
23 *fiscal year thereafter.*

24 (C) Notwithstanding any other provision of law, the  
25 amount specified in this paragraph shall be in addition to  
26 any amounts transferred to the Health Care Deposit  
27 Fund arising from changes of any kind attributable to  
28 payment adjustment years prior to the 1993–94 payment  
29 adjustment year. These transfers from the fund shall be  
30 made in six equal monthly installments to the Medi-Cal  
31 local assistance appropriation item (Item 4260-101-001 of  
32 the annual Budget Act) in support of Medi-Cal  
33 expenditures. The first installment shall accrue in  
34 October of each transfer year, and all other installments  
35 shall accrue monthly thereafter from November through  
36 March.

37 (3) In the 1993–94 fiscal year, in addition to the amount  
38 transferred as specified in paragraph (2), fifteen million  
39 dollars (\$15,000,000) shall also be transferred to the

1 Medi-Cal local assistance appropriation item (Item  
2 4260-101-001) of the Budget Act of 1993.

3 (e) For the 1991–92 state fiscal year, the department  
4 shall determine, no later than 70 days after the enactment  
5 of this section, the transferor entities for the 1991–92  
6 transfer year. To make this determination, the  
7 department shall utilize the disproportionate share list  
8 for the 1991–92 fiscal year, which shall be issued by the  
9 department no later than 65 days after the enactment of  
10 this section, pursuant to paragraph (1) of subdivision (f)  
11 of Section 14105.98. The department shall identify each  
12 eligible hospital on the list for which a public entity is the  
13 licensee as of July 1, 1991. The public entity that is the  
14 licensee of each identified eligible hospital shall be a  
15 transferor entity for the 1991–92 transfer year.

16 (f) The department shall determine, no later than 70  
17 days after the enactment of this section, the transfer  
18 amounts for the 1991–92 transfer year.

19 The transfer amounts shall be determined as follows:

20 (1) The eligible hospitals for 1991–92 shall be  
21 identified. For each hospital, the applicable total per  
22 diem payment adjustment amount under Section  
23 14105.98 for the 1991–92 transfer year shall be computed.  
24 This amount shall be multiplied by 80 percent of the  
25 eligible hospital's annualized Medi-Cal inpatient paid  
26 days as determined from all Medi-Cal paid claims records  
27 available through April 1, 1991. The products of these  
28 calculations for all eligible hospitals shall be added  
29 together to determine an aggregate sum for the 1991–92  
30 transfer year.

31 (2) The eligible hospitals for 1991–92 involving  
32 transferor entities as licensees shall be identified. For  
33 each hospital, the applicable total per diem payment  
34 adjustment amount under Section 14105.98 for the  
35 1991–92 transfer year shall be computed. This amount  
36 shall be multiplied by 80 percent of the eligible hospital's  
37 annualized Medi-Cal inpatient paid days as determined  
38 from all Medi-Cal paid claims records available through  
39 April 1, 1991. The products of these calculations for all  
40 eligible hospitals with transferor entities as licensees shall

1 be added together to determine an aggregate sum for the  
2 1991–92 transfer year.

3 (3) The aggregate sum determined under paragraph  
4 (1) shall be divided by the aggregate sum determined  
5 under paragraph (2), yielding a factor to be utilized in  
6 paragraph (4).

7 (4) The factor determined in paragraph (3) shall be  
8 multiplied by the amount determined for each hospital  
9 under paragraph (2). The product of this calculation for  
10 each hospital in paragraph (2) shall be divided by 1.771,  
11 yielding a transfer amount for the particular transferor  
12 entity for the transfer year.

13 (g) For the 1991–92 transfer year, the department  
14 shall notify each transferor entity in writing of its  
15 applicable transfer amount or amounts no later than 70  
16 days after the enactment of this section.

17 (h) For the 1992–93 transfer year and subsequent  
18 transfer years, transfer amounts shall be determined in  
19 the same procedural manner as set forth in subdivision  
20 (f), except:

21 (1) The department shall use all of the following:

22 (A) The disproportionate share list applicable to the  
23 particular transfer year to determine the eligible  
24 hospitals.

25 (B) The payment adjustment amounts calculated  
26 under Section 14105.98 for the particular transfer year.  
27 These amounts shall take into account any projected or  
28 actual increases or decreases in the size of the payment  
29 adjustment program as are required under Section  
30 14105.98 for the particular year in question, including any  
31 decreases resulting from the application of the OBRA  
32 1993 payment limitation. Subject to the installment  
33 schedule in paragraph (5) of subdivision (i) regarding  
34 transfer amounts, the department may issue interim,  
35 revised, and supplemental transfer requests as necessary  
36 and appropriate to address changes in payment  
37 adjustment levels that occur under Section 14105.98. All  
38 transfer requests, or adjustments thereto, issued to  
39 transferor entities by the department shall meet the

1 requirements set forth in subparagraph (E) of paragraph  
2 (5) of subdivision (i).

3 (C) Data regarding annualized Medi-Cal inpatient  
4 paid days for the most recent calendar year ending prior  
5 to the beginning of the particular transfer year, as  
6 determined from all Medi-Cal paid claims records  
7 available through April 1 preceding the particular  
8 transfer year.

9 (D) The status of public entities as licensees of eligible  
10 hospitals as of July 1 of the particular transfer year.

11 (E) (i) Except as provided in subparagraph (ii), for  
12 transfer amounts calculated by the department may be  
13 increased or decreased by a percentage amount  
14 consistent with the Medi-Cal State Plan.

15 (ii) For the 1995–96 transfer year, the nonfederal share  
16 of the secondary supplemental payment adjustments  
17 described in paragraph (9) of subdivision (y) of Section  
18 14105.98 shall be funded as follows:

19 (I) Ninety-nine percent of the nonfederal share shall  
20 be funded by a transfer from the University of California.

21 (II) One percent of the nonfederal share shall be  
22 funded by transfers from those public entities that are the  
23 licensees of the hospitals included in the “other public  
24 hospitals” group referred to in clauses (ii) and (iii) of  
25 subparagraph (B) of paragraph (9) of subdivision (y) of  
26 Section 14105.98. The transfer responsibilities for this one  
27 percent shall be allocated to the particular public entities  
28 on a pro rata basis, based on a formula or formulae  
29 customarily used by the department for allocating  
30 transfer amounts under this section. The formula or  
31 formulae shall take into account, through reallocation of  
32 transfer amounts as appropriate, the situation of hospitals  
33 whose secondary supplemental payment adjustments are  
34 restricted due to the application of the limitation set forth  
35 in clause (v) of subparagraph (B) of paragraph (9) of  
36 subdivision (y) of Section 14105.98.

37 (III) All transfer amounts under this subparagraph  
38 shall be paid by the particular transferor entities within  
39 30 days after the department notifies the transferor entity  
40 in writing of the transfer amount to be paid.



1 (2) For the 1993–94 transfer year and subsequent  
2 transfer years, transfer amounts shall be increased on a  
3 pro rata basis for each transferor entity for the particular  
4 transfer year in the amounts necessary to fund the  
5 nonfederal share of the total supplemental lump-sum  
6 payment adjustment amounts that arise under Section  
7 14105.98. For purposes of this paragraph, the  
8 supplemental lump-sum payment adjustment amounts  
9 shall be deemed to arise for the particular transfer year  
10 as of the date specified in Section 14105.98. Transfer  
11 amounts to fund the nonfederal share of the payments  
12 shall be paid by the transferor entities for the particular  
13 transfer year within 20 days after the department notifies  
14 the transferor entity in writing of the additional transfer  
15 amount to be paid.

16 (3) The department shall prepare preliminary  
17 analyses and calculations regarding potential transfer  
18 amounts, and potential transferor entities shall be  
19 notified by the department of estimated transfer amounts  
20 as soon as reasonably feasible regarding any particular  
21 transfer year. Written notices of transfer amounts shall be  
22 issued by the department as soon as possible with respect  
23 to each transfer year. All state agencies shall take all  
24 necessary steps in order to supply applicable data to the  
25 department to accomplish these tasks. The Office of  
26 Statewide Health Planning and Development shall  
27 provide to the department quarterly access to the edited  
28 and unedited confidential patient discharge data files for  
29 all Medi-Cal eligible patients. The department shall  
30 maintain the confidentiality of that data to the same  
31 extent as is required of the Office of Statewide Health  
32 Planning and Development. In addition, the Office of  
33 Statewide Health Planning and Development shall  
34 provide to the department, not later than March 1 of each  
35 year, the data specified by the department, as the data  
36 existed on the statewide data base file as of February 1 of  
37 each year, from all of the following:

38 (A) Hospital annual disclosure reports, filed with the  
39 Office of Statewide Health Planning and Development  
40 pursuant to Section 443.31 of the Health and Safety Code,

1 for hospital fiscal years that ended during the calendar  
2 year ending 13 months prior to the applicable February  
3 1.

4 (B) Annual reports of hospitals, filed with the Office of  
5 Statewide Health Planning and Development pursuant  
6 to Section 439.2 of the Health and Safety Code, for the  
7 calendar year ending 13 months prior to the applicable  
8 February 1.

9 (C) Hospital patient discharge data reports, filed with  
10 the Office of Statewide Health Planning and  
11 Development pursuant to subdivision (g) of Section  
12 443.31 of the Health and Safety Code, for the calendar  
13 year ending 13 months prior to the applicable February  
14 1.

15 (D) Any other materials on file with the Office of  
16 Statewide Health Planning and Development.

17 (4) For the 1993–94 transfer year and subsequent  
18 transfer years, the divisor to be used for purposes of the  
19 calculation referred to in paragraph (4) of subdivision (f)  
20 shall be determined by the department. The divisor shall  
21 be calculated to ensure that the appropriate amount of  
22 transfers from transferor entities are received into the  
23 fund to satisfy the requirements of Section 14105.98 for  
24 the particular transfer year. For the 1993–94 transfer year,  
25 the divisor shall be 1.742.

26 (5) For the 1993–94 fiscal year, the transfer amount  
27 that would otherwise be required from the University of  
28 California shall be increased by fifteen million dollars  
29 (\$15,000,000).

30 (6) Notwithstanding any other provision of law, the  
31 total amount of transfers required from the transferor  
32 entities for any particular transfer year shall not exceed  
33 the sum of the following:

34 (A) The amount needed to fund the nonfederal share  
35 of all payment adjustment amounts applicable to the  
36 particular payment adjustment year as calculated under  
37 Section 14105.98. Included in the calculations for this  
38 purpose shall be any decreases in the program as a whole,  
39 and for individual hospitals, that arise due to the



1 provisions of Section 1396r-4(f) or (g) of Title 42 of the  
2 United States Code.

3 (B) The amount needed to fund the transfers to the  
4 Health Care Deposit Fund, as referred to in paragraphs  
5 (2) and (3) of subdivision (d).

6 (7) (A) Except as provided in paragraph (2) of  
7 subdivision (j), and except for a prudent reserve not to  
8 exceed two million dollars (\$2,000,000) in the Medi-Cal  
9 Inpatient Payment Adjustment Fund, any amounts in the  
10 fund, including interest that accrues with respect to the  
11 amounts in the fund, that are not expended, or estimated  
12 to be required for expenditure, under Section 14105.98  
13 with respect to a particular transfer year shall be returned  
14 on a pro rata basis to the transferor entities for the  
15 particular transfer year within 120 days after the  
16 department determines that the funds are not needed for  
17 an expenditure in connection with the particular transfer  
18 year.

19 (B) The department shall determine the interest  
20 amounts that have accrued in the fund from its inception  
21 through June 30, 1995, and, no later than January 1, 1996,  
22 shall distribute these interest amounts to transferor  
23 entities, as follows:

24 (i) The total amount transferred to the fund by each  
25 transferor entity for all transfer years from the inception  
26 of the fund through June 30, 1995, shall be determined.

27 (ii) The total amounts determined for all transferor  
28 entities under clause (i) shall be added together, yielding  
29 an aggregate of the total amounts transferred to the fund  
30 for all transfer years from the inception of the fund  
31 through June 30, 1995.

32 (iii) The total amount determined under clause (i) for  
33 each transferor entity shall be divided by the aggregate  
34 amount determined under clause (ii), yielding a  
35 percentage for each transferor entity.

36 (iv) The total amount of interest earned by the fund  
37 from its inception through June 30, 1995, shall be  
38 determined.

39 (v) The percentage determined under clause (iii) for  
40 each transferor entity shall be multiplied by the amount

1 determined under clause (iv), yielding the amount of  
2 interest that shall be distributed under this subparagraph  
3 to each transferor entity.

4 (C) Regarding any funds returned to a transferor  
5 entity under subparagraph (A), or interest amounts  
6 distributed to a transferor entity under subparagraph  
7 (B), the department shall provide to the transferor entity  
8 a written statement that explains the basis for the  
9 particular return or distribution of funds and contains the  
10 general calculations used by the department in  
11 determining the amount of the particular return or  
12 distribution of funds.

13 (i) (1) For the 1991–92 transfer year, each transferor  
14 entity shall pay its transfer amount or amounts to the  
15 Controller, for deposit in the fund, in eight equal  
16 installments. Except as provided below, the first  
17 installment shall accrue on July 25, 1991, and all other  
18 installments shall accrue on the fifth day of each month  
19 thereafter from August through February.

20 (2) Notwithstanding paragraph (1), no installment  
21 shall be payable to the Controller until that date which is  
22 20 days after the department notifies the transferor entity  
23 in writing that the payment adjustment program set forth  
24 in Section 14105.98 has first gained federal approval as  
25 part of the Medi-Cal program. For purposes of this  
26 paragraph, federal approval requires both (i) approval by  
27 appropriate federal agencies of an amendment to the  
28 Medi-Cal State Plan, as referred to in subdivision (o) of  
29 Section 14105.98, and (ii) confirmation by appropriate  
30 federal agencies regarding the availability of federal  
31 financial participation for the payment adjustment  
32 program set forth in Section 14105.98 at a level of at least  
33 40 percent of the percentage of federal financial  
34 participation that is normally applicable for Medi-Cal  
35 expenditures for acute inpatient hospital services.

36 (3) If any installment that would otherwise be payable  
37 under paragraph (1) is not paid because of the provisions  
38 of paragraph (2), then subparagraphs (A) and (B) shall  
39 be followed when federal approval is gained.



1 (A) All installments that were deferred based on the  
2 provisions of paragraph (2) shall be paid no later than 20  
3 days after the department notifies the transferor entity in  
4 writing that federal approval has been gained, in an  
5 amount consistent with subparagraph (B).

6 (B) The installments paid pursuant to subparagraph  
7 (A) shall be paid in full, subject to an adjustment in  
8 amount pursuant to paragraph (5) of subdivision (f).

9 (4) All installments for the 1991–92 transfer year that  
10 arise in months after federal approval is gained shall be  
11 paid by the fifth day of the month or 20 days after the  
12 department notifies the transferor entity in writing that  
13 federal approval has been gained, whichever is later.  
14 These installments shall be subject to an adjustment in  
15 amount pursuant to paragraph (5) of subdivision (f).

16 (5) (A) Except as provided in subparagraphs (B) and  
17 (C), for the 1992–93 transfer year and subsequent transfer  
18 years, each transferor entity shall pay its transfer amount  
19 or amounts to the Controller, for deposit in the fund, in  
20 eight equal installments. The first installment shall be  
21 payable on July 10 of each transfer year. All other  
22 installments shall be payable on the fifth day of each  
23 month thereafter from August through February.

24 (B) For the 1994–95 transfer year, each transferor  
25 entity shall pay its transfer amount or amounts to the  
26 Controller, for deposit in the fund, in five equal  
27 installments. The first installment shall be payable on  
28 October 5, 1994. The next four installments shall be  
29 payable on the fifth day of each month thereafter from  
30 November through February.

31 (C) For the 1995–96 transfer year, each transferor  
32 entity shall pay its transfer amount or amounts to the  
33 Controller, for deposit in the fund, in five equal  
34 installments. The first installment shall be payable on  
35 October 5, 1995. The next four installments shall be  
36 payable on the fifth day of each month thereafter from  
37 November through February.

38 (D) Except as otherwise specifically provided,  
39 subparagraphs (A) to (C), inclusive, shall not apply to  
40 increases in transfer amounts described in paragraph (2)

1 of subdivision (h) or to additional transfer amounts  
2 described in subdivision (o).

3 (E) All requests for transfer payments, or adjustments  
4 thereto, issued by the department shall be in writing and  
5 shall include (i) an explanation of the basis for the  
6 particular transfer request or transfer activity, (ii) a  
7 summary description of program funding status for the  
8 particular transfer year, and (iii) the general calculations  
9 used by the department in connection with the particular  
10 transfer request or transfer activity.

11 (6) A transferor entity may use any of the following  
12 funds for purposes of meeting its transfer obligations  
13 under this section:

14 (A) General funds of the transferor entity.

15 (B) Any other funds permitted by law to be used for  
16 these purposes, except that a transferor entity shall not  
17 submit to the Controller any federal funds unless those  
18 federal funds are authorized by federal law to be used to  
19 match other federal funds. In addition, no private  
20 donated funds from any health care provider, or from any  
21 person or organization affiliated with such a health care  
22 provider, shall be channeled through a transferor entity  
23 or any other public entity to the fund. The transferor  
24 entity shall be responsible for determining that funds  
25 transferred meet the requirements of this subparagraph.

26 (j) (1) If a transferor entity does not submit any  
27 transfer amount within the time period specified in this  
28 section, the Controller shall offset immediately the  
29 amount owed against any funds which otherwise would  
30 be payable by the state to the transferor entity. The  
31 Controller, however, shall not impose an offset against  
32 any particular funds payable to the transferor entity  
33 where the offset would violate state or federal law.

34 (2) Where a withhold or a recoupment occurs  
35 pursuant to the provisions of paragraph (2) of subdivision  
36 (r) of Section 14105.98, the nonfederal portion of the  
37 amount in question shall remain in the fund, or shall be  
38 redeposited in the fund by the department, as applicable.  
39 The department shall then proceed as follows:

1 (A) If the withhold or recoupment was imposed with  
2 respect to a hospital whose licensee was a transferor  
3 entity for the particular state fiscal year to which the  
4 withhold or recoupment related, the nonfederal portion  
5 of the amount withheld or recouped shall serve as a credit  
6 for the particular transferor entity against an equal  
7 amount of transfer obligations under this section, to be  
8 applied whenever the transfer obligations next arise.  
9 Should no such transfer obligation arise within 180 days,  
10 the department shall return the funds in question to the  
11 particular transferor entity within 30 days thereafter.

12 (B) For other situations, the withheld or recouped  
13 nonfederal portion shall be subject to paragraph (7) of  
14 subdivision (h).

15 (k) All amounts received by the Controller pursuant  
16 to subdivision (i), paragraph (2) of subdivision (h), or  
17 subdivision (o), or offset by the Controller pursuant to  
18 subdivision (j), shall immediately be deposited in the  
19 fund.

20 (l) For purposes of this section, the disproportionate  
21 share list utilized by the department for a particular  
22 transfer year shall be identical to the disproportionate  
23 share list utilized by the department for the same state  
24 fiscal year for purposes of Section 14105.98. Nothing on a  
25 disproportionate share list, once issued by the  
26 department, shall be modified for any reason other than  
27 mathematical or typographical errors or omissions on the  
28 part of the department or the Office of Statewide Health  
29 Planning and Development in preparation of the list.

30 (m) Neither the intergovernmental transfers  
31 required by this section, nor any elective transfer made  
32 pursuant to Section 14164, shall create, lead to, or expand  
33 the health care funding or service obligations for current  
34 or future years for any transferor entity, except as  
35 required of the state by this section or as may be required  
36 by federal law, in which case the state shall be held  
37 harmless by the transferor entities on a pro rata basis.

38 (n) No amount submitted to the Controller pursuant  
39 to subdivision (i), paragraph (2) of subdivision (h), or  
40 subdivision (o), or offset by the Controller pursuant to

1 subdivision (j), shall be claimed or recognized as an  
2 allowable element of cost in Medi-Cal cost reports  
3 submitted to the department.

4 (o) Whenever additional transfer amounts are  
5 required to fund the nonfederal share of payment  
6 adjustment amounts under Section 14105.98 that are  
7 distributed after the close of the particular payment  
8 adjustment year to which the payment adjustment  
9 amounts apply, the additional transfer amounts shall be  
10 paid by the parties who were the transferor entities for  
11 the particular transfer year that was concurrent with the  
12 particular payment adjustment year. The additional  
13 transfer amounts shall be calculated under the formula  
14 that was in effect during the particular transfer year. For  
15 transfer years prior to the 1993–94 transfer year, the  
16 percentage of the additional transfer amounts available  
17 for transfer to the Health Care Deposit Fund under  
18 subdivision (d) shall be the percentage that was in effect  
19 during the particular transfer year. These additional  
20 transfer amounts shall be paid by transferor entities  
21 within 20 days after the department notifies the  
22 transferor entity in writing of the additional transfer  
23 amount to be paid.

24 (p) (1) Ten million dollars (\$10,000,000) of the  
25 amount transferred from the Medi-Cal Inpatient  
26 Payment Adjustment Fund to the Health Care Deposit  
27 Fund due to amounts transferred attributable to years  
28 prior to the 1993–94 fiscal year is hereby appropriated  
29 without regard to fiscal years to the State Department of  
30 Health Services to be used to support the development of  
31 managed care programs under the department's plan to  
32 expand Medi-Cal managed care.

33 (2) These funds shall be used by the department for  
34 both of the following purposes: (A) distributions to  
35 counties or other local entities that contract with the  
36 department to receive those funds to offset a portion of  
37 the costs of forming the local initiative entity, and (B)  
38 distributions to local initiative entities that contract with  
39 the department to receive those funds to offset a portion  
40 of the costs of developing the local initiative health





1 delivery system in accordance with the department's  
2 plan to expand Medi-Cal managed care.

3 (3) Entities contracting with the department for any  
4 portion of the ten million dollars (\$10,000,000) shall meet  
5 the objectives of the department's plan to expand  
6 Medi-Cal managed care with regard to traditional and  
7 safety net providers.

8 (4) Entities contracting with the department for any  
9 portion of the ten million dollars (\$10,000,000) may be  
10 authorized under those contracts to utilize their funds to  
11 provide for reimbursement of the costs of local  
12 organizations and entities incurred in participating in the  
13 development and operation of a local initiative.

14 (5) To the full extent permitted by state and federal  
15 law, these funds shall be distributed by the department  
16 for expenditure at the local level in a manner that  
17 qualifies for federal financial participation under the  
18 medicaid program.

19 SEC. 2. This act is an urgency statute necessary for the  
20 immediate preservation of the public peace, health, or  
21 safety within the meaning of Article IV of the  
22 Constitution and shall go into immediate effect. The facts  
23 constituting the necessity are:

24 ~~In order for the provisions of this act to be implemented~~  
25 ~~on the commencement of the 1996-97 fiscal year, it must~~  
26 ~~take effect immediately.~~

27 *In order to make changes in provisions relating to the*  
28 *Medi-Cal program that are necessary to implement the*  
29 *Budget Act of 1996, it is necessary that this act go into*  
30 *effect immediately.*